

Accountability and Transparency Guide for State Ownership

A document developed in co-operation with the Global
Network

By

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Introduction

- Transparency and accountability is crucial:
 - Gives substance to shareholders rights
 - Choice remedy for fraud and manipulation
 - Prerequisite to public trust

“The state should act as an informed and active owner (...) ensuring that the governance of state-owned enterprises is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness” (Chapter II).

- Objectives of the Guide:
 - facilitate the implementation of the SOE Guidelines
 - help evaluate existing practices
 - provide policy options and « roadmaps »
 - examples of successful practices, for reference and inspiration



From T&A... to TrAc

- Setting objectives
- Reviewing performance
 - Auditing performance
 - Reporting on performance
 - Ensuring adequate disclosure and transparency at the company level

1) Setting Objectives

- Developing an **ownership policy**
- Identifying specific **targets for the ownership entity**
- Define and review **SOE mandates**
- Identify **public service and other special obligations**, evaluate their cost and fund them transparently
- Government's expectations should be publicly communicated in the form of "**objectives documents**".
- Develop relevant **performance indicators**.

2) Reviewing performance

- **Ongoing** performance review
 - Combines formal and more informal mechanisms in a monitoring to ensure “no surprises”.
- In-depth **annual** performance review
 - Assessment of financial and non-financial results against key performance indicators
- **Benchmark** SOE performance
 - Identify performance gaps and areas of potential improvement (e.g. through rates of return, EVA...)

3) Auditing performance

- Central role of the SOEs' own **audit committees**
 - **Internal auditors** constitute the first level of control
 - External, **independent audit**
 - **State audit institutions (SAIs)**
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- In all of this: avoid duplication and promote complementarity

4) Reporting on performance (by government)

● **Aggregate reports**

- Short, easy to read and regular reports to the general public. Their central component is a review of financial performance, highlights of main events and short presentations of the largest SOEs.

● **Reporting to Parliament**

- The ultimate accountability tool, since Parliament represents the ultimate owners of SOEs. Requires a process of compilation, checking, reviewing and questioning involving many parties... a “disclosure dynamic”.

● **Proactive communication**

- Developing press contacts and web-based communication strategies.

5) Disclosure and transparency at SOE level

- Develop a **coherent disclosure policy**
- Encourage, enforce and monitor **effective implementation**
- Ensure **equitable treatment of all shareholders**
- Special attention to **related party transactions**
- Adequate reporting on **stakeholder relations**
- Encourage SOEs to follow **existing best practices**



**Good luck with the TrAc Guide, and
thank you all for the Global Network's
valuable inputs to this new document**